

Message Text

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64

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /125 W

----- 037948

R 032125Z JUN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5796

INFO AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY DHABI

AMEMBASSY ALGIERS

AMEMBASSY DOHA

AMEMBASSY LIBREVILLE

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

OECD PARIS 164

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E.O. 11652: N/A

TAGS: ECON ETRD EFIN ENRG EC

SUBJECT: ECUADOR MOVING TOWARD IMPORT RESTRICTIONS

REFS: (A) QUITO 3177 (B) QUITO 3816

BEGIN SUMMARY: FACED WITH DISTURBING TRADE DEFICIT
FOR THE FIRST TIME SINCE ITS PETROLEUM ERA BEGAN, THE
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GOE IS CONSIDERING REINSTATEMENT OF CERTAIN IMPORT

RESTRICTIONS. MONETARY BOARD MEMBERS ARE TO DECIDE WHICH COMBINATION OF THREE POSSIBLE COURSES TO CHOOSE TO ATTEMPT TO CUT DOWN IN LEAST DISRUPTIVE MANNER ECUADOR'S TREMENDOUS GROWTH IN IMPORTS. END SUMMARY.

1. REDUCED PETROLEUM EXPORTS, FALLING COMMODITY PRICES, AND VASTLY INCREASED IMPORTS HAVE STARTED TO ENACT THEIR TOLL ON ECUADOR'S INTERNATIONAL RESERVE POSITION AND TRADE BALANCE. AFTER ENJOYING UNPRECEDENTED TRADE SURPLUSES SINCE THE ADVENT OF THE PETROLEUM ERA, THE GOE IS FACED WITH DISTURBING MERCHANDISE TRADE DEFICIT. (REFTEL A). NET INTERNATIONAL RESERVES FELL 19 PERCENT TO \$272 MILLION BETWEEN JANUARY 1 AND APRIL 18. TABLE I SUMMARIZED IMPORT/EXPORT DATA (IMPORT DATA ON LIQUIDATED PERMIT BASIS) AND TABLE II, ANNUAL GROWTH RATE IN IMPORTS. ECUADOR DIVIDES ALL IMPORTS INTO LISTS 1 AND 2. LIST 2 CONTAINS THOSE PRODUCTS DEEMED EITHER LUXURY GOODS OR PRODUCTS IN COMPETITION WITH DOMESTIC GOODS. MOST IMPORTANT U.S. EXPORTS IN LIST 2 ARE: AUTOMOBILES, SOME HARDWARE, SOME PETROLEUM AND CHEMICAL PRODUCTS, CERTAIN PAPER PRODUCTS, TEXTILES AND YARNS, AND CONSUMER ELECTRONIC GOODS AND APPLIANCES.

TABLE K

YEAR IMPORTS (MILLIONS OF \$) EXPORTS (MILLIONS OF \$)
LIST 1 LIST 2 TOTAL

1972	217.3	32.0	249.3	301.5
1973	301.4	44.3	345.7	544.5
1974	544.6	73.0	617.6	1050.3
1975	221.2	26.8	247.9	218.5

(NOTE: 1975 - JANUARY 1 - APRIL 15)

TABLE II

ANNUAL GROWTH RATES (PERCENT)

YEAR	IMPORTS			EXPORTS
	LIST 1	LIST 2	TOTAL	
1972	1.6	-25.6	-3.0	38.9
1973	38.7	38.4	38.7	80.6
1974	80.7	64.8	78.7	92.9
1975	89.2	76.8	87.9	-29.7

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(NOTE: 1975 - JANUARY 1 - APRIL 15)

2. ALTHOUGH LIST 2 IMPORTS ARE NOT CONSIDERED AS ESSENTIAL FOR NATIONAL DEVELOPMENT AS ARE GOODS CONTAINED WITHIN LIST 1, THE GROWTH RATE OF LIST 2 IMPORTS HAS BEEN ALMOST AS GREAT AS THAT OF LIST 1. THIS APPEARS TO TROUBLE PLANNERS WITHIN GOE. AN EMPLOYEE OF CENTRAL BANK INFORMS US THAT MONETARY BOARD MEMBERS ARE NOW

CONSIDERING THREE PATHS TO CUT DOWN CURRENT HIGH LEVEL
OF IMPORTS WHILE MAINTAINING ECONOMIC GROWTH: 1.
REQUIRING PRIOR DEPOSITS TO TAKE OUT IMPORT PERMITS
(A PROCEDURE ELIMINATED IN EARLY 1973), 2. RAISING
ALREADY HIGH DUTIES ON LIST 2 LUXURY GOODS, 3.
TEMPORARY PROHIBITION OF SELECTED GOODS. IN
ADDITION, THE BOARD WILL CONSIDER MAKING CERTAIN CHANGES
IN GOVERNMENT INDUSTRIAL FINANCING TO ENCOURAGE DOMESTIC
PRODUCTION OF CURRENTLY IMPORTED ITEMS.
HEMENWAY

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Message Attributes

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